

Valuation Analysis – Group Assignment 5
Historical and Fundamental Growth

Instructions: This assignment requires you to analyze and forecast earnings growth for your firm. You will begin by analyzing current analyst forecasts of earnings. You will then use the firm's financial statements to analyze historical growth. Finally, you will estimate fundamental growth as a function of reinvestment and returns on invested capital. Note that all of the information required to analyze historical and fundamental growth should be contained in your solution to Group Assignment 4. Any supporting analysis should be attached. The assignment is due on Wednesday, December 7th.

Your Company: _____

1. ***Analyst Growth Forecasts:***

Using Bloomberg or another source, identify the consensus 5-year earnings growth forecast from the analysts covering your firm.

5-yr growth forecast (%) _____

2. ***Historical Growth:***

Using the data for Net Income and EBIT that you compiled for the previous assignment, estimate the annual growth in Net Income and EBIT for each of the past 10 years (or for as many years as possible, if 10 years are not available). Calculate the arithmetic and geometric average growth rates for Net Income and EBIT. Discuss any patterns that are evident in the growth rates that will affect your future growth forecasts.

Arithmetic Avg. Growth in EBIT _____ Geometric Avg. Growth in EBIT _____

Arithmetic Avg. Growth in Net Income _____ Geometric Avg. Growth in Net Income _____

Discussion:

3. ***Fundamental Growth:***

Using information from the most recent fiscal year, calculate the fundamental growth rate in Net Income and EBIT for your firm. Discuss any necessary assumptions or adjustments that will be necessary to apply these forecasts for your firm.

ROC in most recent year _____ ROE in most recent year _____

Forecasted ROC for next year _____ Forecasted ROE for next year _____

Forecasted % Change in ROC _____ Forecasted % Change in ROE _____

Reinv. Rate in most recent year _____ Equity Reinv. Rate in most recent year _____

L-T Fundamental Growth in EBIT _____ L-T Fundamental Growth in Net Income _____

Total Fundamental Growth in EBIT _____ Total Fundamental Growth in Net Income _____

Discussion: